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Message Text

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41
ACTION SS-25

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 4489

C O N F I D E N T I A L SECTION 1 OF 2 MEXICO 9055

EXDIS

FOR ASSISTANT SECRETARY ROGERS FROM AMBASSADOR

E.O. 11652: GDS
TAGS: OCON, ENRG, MX, US
SUBJECT: PRESIDENTIAL CONFERENCES.

1. FOLLOWING ARE ROUGH NOTES I MADE DURING PORTIONS OF PRESIDENTIAL CONFERENCES THAT WE ATTENDED. THESE MAY HELP YOU IN WRITING UP YOUR OWN PROBABLY MORE COPIOUS NOTES. PRESIDENT ECHEVERRIA COMMENCED THIS PORTION OF THE MEETING BY SAYING THAT HE HAD ASKED ENG. ANTONIO DOVALI JAIME, THE DIRECTOR OF PETROLEOS MEXICANOS (PEMEX) TO BRIEF US ON THE RECENT OIL DISCOVERIES. HE HAD ALSO ASKED THE MINISTER OF NATIONAL PATRIMONY, LIC. HORACIO FLORES DE LA PENA, AS WELL AS THE PRESIDENTS OF THE SENATE, ENRIQUE OLIVARES SANTANA, AND OF THE CHAMBER, CARLOS SANSORES PEREZ, AND THE MEXICAN AMBASSADOR TO WASHINGTON, LIC. JOSE JUAN DE OLLOQUI, TO JOIN THE MEETING.
2. DOVALI: PEMEZ HAS NOW DRILLED 47 WELLS. THEY HAVE AN AVERAGE OF 5,000 BARRELS PER DAY (BPD) BUT SOME ARE MUCH LARGER. THE FACT THAT THEY ARE LOCATED IN THE CIAPAS-TEHUANTEPEC AREA IS FORTUNATE AS TEHUANTEPEC HAS AN ALREADY EXISTING SYSTEM OF PIPE LINES AND SOME STORAGE FACILITIES. THE FACT THAT THE CONTINENTAL SHELF OFF TABASCO AND CAMPECHE ALSO SEEMS TO HAVE THE SAME GEOLOGICAL PATTERNS IS ALSO VERY PROMISING. PEMEX FOR THE PAST TWO YEARS HAS BEEN DRILLING THERE AND THE NEW TOTAL PRODUCTION IN THAT AREA IS MORE THAN 240,000 BARRELS BPD.

3. FLORES DE LA PENA: YES, THAT IS RIGHT: NOW REGARDING
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OPEC. THIS ORGANIZATION REQUIRES THAT A MEMBER BE AN IMPORTANT

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PERMANENT NET EXPORTER. WE ARE NOW PERMANENT AND WE ARE NOW IMPORTANT BUT WE ARE STILL NOT IN THAT CATEGORY. WHAT IS REALLY IMPORTANT, HOWEVER, IS THE AMOUNT OF FOREIGN EXCHANGE SAVED AT THIS TIME. OUR NEXT STEP WILL BE AS REGARDS FOREIGN EXCHANGE ACTUALLY EARNED AND BY NEXT YEAR WE SHOULD BE EXPORTING 200,000 BPD.

4. PRESIDENT ECHEVERRIA: WHAT ABOUT OPEC PRICES AND MEXICO'S POLICY--WOULD YOU EXPAND ON THAT?

5. FLORES DE LA PENA: OUR POLICY IS TO GET THE BEST PRICE WE CAN GET ON THE MARKET. YOU SHOULD NOTE THAT MEXICO IS THE ONLY COUNTRY THAT ACTUALLY PRODUCES NATIONALLY. OTHER PRODUCING COUNTRIES CAN ONLY TAX THE PRODUCTION OF FOREIGN COMPANIES AND THAT IS WHAT INCREASES PRICES. MEXICO ITSELF WILL NOT REPEAT NOT AUGMENT THE PRICES BUT ON THE OTHER HAND IT WILL NOT REDUCE PRICES. IF THAT WERE THE OBJECTIVE, COMMERCIAL COMPANIES ARE EQUALLY FREE TO DO SO.

6. PRESIDENT ECHEVERRIA: I HOPE THAT THE STATE DEPARTMENT WILL CAREFULLY STUDY THIS PROBLEM AND WILL PROVIDE YOU, MR. PRESIDENT, WITH THE NECESSARY STATISTICS AND POSITION PAPERS. MEXICO PROPOSES A REGIME OF COOPERATION BUT ONE WHICH SHOULD BE BOTH FOR RICH AND FOR POOR. WE MUST KEEP IN MIND THAT IT IS THE LATTER WHO ARE SUFFERING MOST AND THEY ARE THE ACTUAL MAJORITY. CAN'T WE DO SOMETHING WITH THE PRODUCERS--SOME ARRANGEMENT WHICH WOULD GIVE THEM A FAIR PROFIT BUT WOULD ALSO ASSURE CONSIDERATION FOR THE POOR COUNTRIES.

7. PRESIDENT FORD: THAT WAS AN ELOQUENT AND STRONG STATEMENT AND IT IS SIMILAR TO THE IDEAS OF SECRETARY KISSINGER AND MYSELF. EVEN IF THE UNITED STATES IS EFFECTED AND THERE IS REAL DAMAGE TO JAPAN AND WESTERN EUROPE, BUT UNDOUBTEDLY IT IS THE UNDER-DEVELOPED COUNTRIES THAT ARE THE WORST OFF. HENCE, WE MUST HELP TO BUILD UP THE ECONOMIES OF THESE POOR NATIONS. THE THEME I STRESSED AT THE UNITED NATIONS GENERAL ASSEMBLY IS SIMILAR TO THE VERY WORDS THAT YOU HAVE JUST EXPRESSED, HENCE I SINCERELY HOPE THAT WE CAN WORK TOGETHER.

8. SECRETARY KISSINGER: YES, FOR THAT REASON WE SUPPORT
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THE CHARTER OF ECONOMIC RIGHTS AND DUTIES EXCEPT FOR ARTICLE TWO. I HOPE WE CAN WORK IT OUT TOGETHER, BUT.....

9. FLORES DE LA PENA: HOW DO YOU FIND THE SUPPORT OF THE ARABS?

10. SECRETARY KISSINGER: I BELIEVE THAT SAUDI ARABIA AND THE GULF STATES THINK THAT THEY SHOULD MOVE FORWARD. THEY

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ARE NOT SOPHISTICATED BUT THEY ARE CONCERNED AT THE POLITICAL
AND ECONOMIC CONSEQUENCES(MY NOTES HERE ARE SOMEWHAT GARBLED).

11. PRESIDENT FORD: CAN YOU TELL ME ABOUT THE PRODUCTION
COSTS ON YOUR WELLS?

12. FLORES DE LA PENA: WELL, THEY ARE EXPENSIVE TO DIG AS
THEY ARE VERY DEEP, BUT ON THE OTHER HAND ONCE IN PRODUCTION
SOME ARE VERY RICH; BUT YOU KNOW E REALLY DON'T KNOW HOW MUCH
WE HAVE YET AS WE HAVE DRILLED ONLY 47 WELLS. AFTER ALL, THE
UNITED STATES IN ALASKA HAS 97 WELLS AND STILL DOES NOT KNOW
THE TRUE EXTENT OF THE ALASKAN FIELDS.
13. PRESIDENT ECHEVERRIA: REGARDLESS OF COSTS, MEXICO MUST
SELL AT MARKET PRICES AND THIS DEPENDS ON WORLD PRICES, COSTS,
DISTANCE FROM THE MARKET, ETC. WE ARE INCREASING PRODUCTION
AND RESEARCH AND EXPLORATION. WE DON'T WANT TO HURT ANYONE
AND WE REALIZE THAT THE PRESENT SITUATION IS HELPFUL TO SOME.
THUS WE THINK THAT THE CHARTER IS THE SOLUTION FOR THE PRE-
SENT DILEMMA AND THIS IS WHY WE ARE INSISTING ON ITS PASSAGE.
THE MAJORITY IN THE U.N. FAVOR THIS COOPERATION ON THE CHARTER.
IT WOULD BE APPLICABLE TO FOOD AS WELL AS TO OIL AND INDUS-
TRIAL DEVELOPMENT. MEXICO IS SMALL BUT ITS VOTE IS VERY IM-
PORTANT AND HAS PRESTIGE. BUT WE WANT ABOVE ALL TO HAVE UNITED
STATES COOPERATION. FOR INSTANCE, JAPAN AS AN IMPORTER WAS
AT FIRST VERY MUCH AGAINST THE CHARTER BUT NOW FAVORS IT.

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ACTION SS-25

INFO OCT-01 ISO-00 CCO-00 SSO-00 NSCE-00 CIAE-00 /026 W
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R 240020Z OCT 74
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 4490

C O N F I D E N T I A L SECTION 2 OF 2 MEXICO 9055

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FOR ASSISTANT SECRETARY ROGERS FROM AMBASSADOR

14. SECRETARY KISSINGER: WE FAVOR IT AND HAVE SUPPORTED IT

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BUT WE HAVE PROBLEMS REGARDING ARTICLE 2.

15. PRESIDENT ECHEVERRIA: BUT WE ARE OVERCOMING THESE, ARE WE NOT?

16. SECRETARY RABASA: WELL, WE ARE STUCK ON ARTICLE 2 AND IT IS ONLY FAIR TO RECOGNIZE THAT HIS REPRESENTS THE VERY GUTS OF THE CHARTER. NOW ARTICLE 2 COVERS THREE CONCEPTS: 1) FULL AND PERMANENT SOVEREIGNTY OVER NATIONAL RESOURCES, AND ON THIS WE HAVE REACHED ACCORD. 2) FOREIGN INVESTMENT. ON THIS WE ARE ALSO IN ACCORD. 3) NATIONALIZATION AND COMPENSATION. NOW THIS IS THE ITEM ON WHICH WE ARE NOT IN ACCORD. MEXICO IS WITH THE GROUP OF 70 ON THIS AS WE HAVE A VERY CLEAR AND CLEAN HISTORICAL RECORD. WE BELIEVE STRONGLY THAT NATIONAL LAW MUST GOVERN--BUT AT THE SAME TIME WE HAVE PAID OFF OUR DEBTS ON ALL OUR OIL EXPROPRIATIONS. WE HAVE HAD NO RECENT EXPROPRIATIONS. INSTEAD WE HAVE HAD MEXICANIZATION AND WE HAVE MADE FAIR COMMERCIAL DEALS IN REGARD TO THE TOBACCO MONOPOLY, THE TELEPHONE COMPANY, THE ELECTRICAL COMPANY, ETC., AND HAVE ACQUIRED A MAJORITY AND CONTROLLING INTEREST IN THESE THROUGH PURCHASE OR OTHER ARRANGEMENTS.

17. PRESIDENT ECHEVERRIA: WE MUST DISTINGUISH BETWEEEN SOME OR OUR POLITICAL ATTITUDES IN THE INTERNATIONAL FIELD AND OUR BUSINESS RELATIONS. WE HAVE BEEN CRITICIZED REGARDING CONFIDENTIAL

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OUR SUPPORT OF ALLENDE, OF RED CHINA, OF THE SOVIET UNION, ETC., BUT WE HAVE HAD NO TROUBLES WITH BUSINESS DOMESTICALLY. OUR FOREIGN POLICY AND OUR BUSINESS RELATIONS ARE TWO VERY DIFFERENT THINGS.

18. FLORES DE LA PENA: IN FACT,WE HAVE MADE MANY ARRANGE-MENTS WITH U.S. BUSINESS; AFTER ALL, WHAT WE JUST WANT IS MEXICAN PARTICPATION AND WE HAVE MADE MUTUALLY PROFITABLE ARRANGEMENTS FOR ASSOCIATION WITH DUPONT, WITH ANACONDA, AND MORE RECENTLY ON THE PHONE COMPANY WITH ITT.

19. PRESIDENT FORD: WE CAN AGREE WITH WHAT YOU HAVE SAID. AFTER ALL, THE U.S. COMPANIES WERE PAID EQUITABLE AFTER THE OIL EXPROPRIATIONS IN 1938. WE HAVE NO OBJECTION TO 51PCT MEXI-CAN PARTICIPATION IN COMPANIES. SATISFACTORY ARRANGEMENTS HAVE BEEN MADE IN MEXICO AND WITH MEXICO. ON THE OTHER HAND, WE ARE CONCERNED THAT OTHER COUNTRIES WILL NATIONALIZE WITHOUT PAYING JUST COMPENSATION. WE CANNOT ENDORSE A MAJOR INTER-NATIONAL CHARTER WHICH CAN THEN BE USED TOTALLY AGAINST US.

20. SECTETARY KISSINGER. EVERY STATEMENT THAT PRESIDENT FORD AND I HAVE MADE IS CONSISTENT WITH THE CHARTER. IN OTHER WORDS, WE WISH TO WORK FOR A MORE COOPERATIVE WORLD,

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BUT WE CANNOT ACCEPT THAT A SMALL GROUP OF COUNTRIES WRECKS THE INDUSTRIAL NATIONS LIVES OF THE WORLD AND IN FACT WRECKS THE WHOLE WORLD. EVEN PRODUCING COUNTRIES WILL END UP IN THE END WITH WORTHLESS PAPER' TRUE THAT OIL PRICES WERE MUCH TOO LOW. WE DON'T SPEAK OF LOWERING THEM TO WHERE THEY ONCE WERE, BUT THERE MUST BE SOME JUST MEDIA. WE IN TURN WILL BE OPEN AND GENEROUS ON FOOD PROBLEMS.

21. PRESIDENT FORD: IF A WORLD COLLAPE COMES, THE DOLLAR WILL BE WORTH LITTLE AND LATER ON NEITHER MONEY NOR OIL WILL BE WORTH ANYTHING.

22. FLORES DE LA PENA: IF WE CAN'T FIGHT INFLATION AND INCREASES OF PRICES NOT ONLY IN PRIMARY PRODUCTS BUT ALSO OF MANUFACTURED GOODS, WE WILL UNDOUBTEDLY HEAD FOR A DEPRESSION OF UNHEARD OF DIMENSIONS. BUT I MUST DIFFER IN THAT THE MONEY AND THE OIL OF THE ARABS WILL ACTUALLY BE WORTH MORE IN A PERIOD OF WORLD DEPRESSION THAN IN AN INFLATIONARY PERIOD.
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23.SECRETARY KISSINGER. YES, BUT YOU CAN'T SPEAK OF A DEPRESSION OF THAT MAGNITUDE AND STILL EXPECT ORDINARY COMMERCIAL TRANSACTIONS TO GO ON SIMULTANEOUSLY.

24. FLORES DE LA PENA: YES, I AGREE. THE ONLY REAL SOLUTION IS TO REDUCE PRICES OF CAPITAL GOODS AT THE SAME TIME AND AT THE SAME RATE AS OIL PRICES ARE REDUCED. THIS IS A COMPLICATED PROCEDURE AND CAN ONLY BE DONE ON A WORLD-WIDE BASIS.

25. PRESIDENT FORD: PRICES OBVIOUSLY WILL LEVEL OFF AS LIQUIDITY PREVAILS.

26. FLORES DE LA PENA: CONTROLLING THE PRICES OF OIL WOULD BE EASY COMPARED TO TRYING TO CONTROL THE PRICES OF MANUFACTURED GOODS.THAT IS THE REAL RUB.

27. PRESIDENT FORD: YES, BUT OIL PRICES ROSE SO SUDDENLY AND SO SIMULTANEOUSLY. AFTER ALL, OUR INFLATION RATE WENT FROM FOUR PERCENT UP TO 11 TO TWELVE PERCENT AND THIS WAS SIMULTANEOUS IN RISE WITH THE OIL PRICES.

28. FLORES DE LA PENA: THIS PROVES THAT WE HAVE TO WORK TOGETHER IN A COORDINATED FASHION SO THAT NO ONE IS UNDULY SACRIFICED OR PREJUDICED AND THIS OF COURSE IS WHAT THE PRESIDENT'S CHARTER IS AIMED AT.

29. AT THIS POINT IT WAS SUGGESTED THAT WE WERE CROWDING OUR SCHEDULE, AND THE MEETING BROKE UP WITH THE MEMBERS OF THE

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PARTY PROCEEDING TO THE BUSSES AND THEN THE HELICOPTERS FOR
THE RIDE BACK.
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